



State of California

CALIFORNIA EMPLOYER

Second Quarter 2002

New law addresses child support wage assignments

Employers are required to report both new hires and rehired employees to the Employment Development Department (EDD) within 20 days of the start-of-work date. (For details, visit our Web site at www.edd.ca.gov/txner.htm, or call 916-657-0529.) This information is cross-matched by federal, state, and local agencies against a list of parents who are delinquent in their child support obligations. If a match is found, a child support wage assignment is issued to the employer.

Under a new state law (AB 1426, Wright, effective January 1, 2002), when an employer fails to comply with

a wage assignment order, local child support agencies and/or support obligees may obtain a court order to require the employer to make child support payments through electronic funds transfer.



Specifically, this law allows a court order to be obtained if:

(1) an employer willfully fails to comply with a wage assignment order, or (2) has failed to comply with a particular wage assignment order on three separate occasions within a 12-month period. It also allows the

courts to impose additional penalties if an employer fails to comply with a court-ordered child support wage assignment. An employer found in contempt may face a civil penalty of up to 50 percent of the support amount not forwarded to the child support obligee, including any interest incurred as a result of the employer's failure to forward child support payments.

For more information about AB 1426, call the state Department of Child Support Services at (866) 249-0773. If you have received a wage assignment, contact the agency listed on the assignment for further information.

Corrections to note in your 2002 employer and payroll guides

Please make a note of the following corrections in your 2002 *California Payroll Tax Guide* (DE 44P) and *California Employer's Guide* (DE 44):



■ Our Call Center hours have changed. Staff are now

available to assist you from 7 a.m. to 6 p.m. Pacific time (listed on page 1 in both guides). Contact us toll free at 1-888-745-3886.

■ The addresses for two self-service Employment Tax Offices (listed on page 2 in both guides) are:
- Chico: 240 West 7th Street
- Vallejo: 125 Corporate Place

■ The phone numbers listed on page 9 of the *Payroll Tax Guide* for New Employee Registry and Independent Contractor Reporting are incorrect. The correct phone number for both topics is (916) 657-0529.

■ Worker Adjustment and Retraining Notification (WARN) Act payments identified in the "Types of Payment" chart (page 86 of the *California Employer's Guide*) incorrectly states that WARN payments are not subject to Personal Income Tax (PIT) Withholding. WARN payments are subject to PIT Withholding.

(Note: the *Employer's Guide* (DE 44) on our Web site has been updated to reflect these corrections.)

Federal tax credits offered for hiring of disabled

Californians with disabilities represent a willing, able, and talented labor force ready to actively participate in the workforce. Many have received extensive training and education funded by the state Department of Rehabilitation (DOR) to prepare them to enter the labor market.

If you hire an individual with a disability who needs a job accommo-

dation, local DOR staff can provide technical assistance and support, and fund short-term on-the-job training. You may also qualify for various federal tax credits:

■ **Disabled Access Credit:** Provides up to \$5,000 in small business tax credits to cover accessibility costs.

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Tax forms are now available on CD-ROM —

Along with other state and federal tax forms, the most commonly used EDD forms and publications are now available on a CD-ROM produced by the Franchise Tax Board (FTB).



The 2001 California Package X CD-ROM (Windows version only) contains the most common forms

and publications for:

- California payroll tax (EDD)
- Sales tax (State Board of Equalization)
- California income tax (FTB)
- Federal income tax (IRS)

To order a CD-ROM (\$15 plus tax), visit FTB's Web site at www.ftb.ca.gov/education/packageX/index.html or call (916) 845-7070.

Settlement may solve a disputed tax matter —

Do you have a disputed tax matter with EDD? If so, it may be possible to reach a settlement on the matter because we have the authority to settle certain disputed civil tax matters. Our Settlements Program provides an opportunity for a petitioner (employer) to enter into a mutual settlement agreement with EDD to avoid the risk and cost associated with litigation.

Generally, settlement offers are considered for cases that involve a disputed assessment, appeal, or denial of claim

for refund in which a timely petition was filed with either the California Unemployment Insurance Appeals Board or court of jurisdiction.

For more information on this program, please visit our Web site at www.edd.ca.gov/taxetpro.htm or write us at:

EDD, Settlements Office, MIC 93
P.O. Box 826880
Sacramento, CA 94280-0001
Fax: (916) 654-6969

Attend an EDD/IRS payroll tax seminar —

To help you better understand your federal and California payroll tax obligations and avoid unplanned tax liabilities, EDD partners with the Internal Revenue Service (IRS) to offer basic seminars on federal and state payroll taxes.



Tax experts from EDD and IRS are available at these seminars to answer any questions you may have about payroll taxes.

To check the schedule of upcoming seminars, which are offered at locations throughout the state, visit our Web site at www.edd.ca.gov/taxsem/ or call us toll free at 1-888-745-3886.

Both EDD and IRS also offer tax information and assistance by telephone, at public service counters, via e-mail, and on the Internet:

- **EDD:** call 1-888-745-3886 or visit our Web site at www.edd.ca.gov.
- **IRS:** call 1-800-829-1040 or visit their Web site at www.irs.gov.

Federal tax credits for hiring of disabled —

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■ **Architectural and Transportation Tax Deduction:** Up to a \$15,000 annual deduction for physical, structural, and transportation barrier removal costs.

■ **Work Opportunity Tax Credit (WOTC):** Available for hiring individuals from certain target groups, including people with disabilities. Can reduce your federal tax liability by up to

\$2,400 per new hire. For details, visit EDD's Web site at www.edd.ca.gov/wotcind.htm.

For information on DOR's services, visit www.dor.ca.gov, or contact:

- Michelle Alford-Williams at (916) 274-6121 or malfordw@dor.ca.gov
- Elizabeth Cavazos at (916) 263-8762 or ecavazos@dor.ca.gov
- Valerie Massey at (916) 263-7310 or vmassey@dor.ca.gov

Annual interest rate set at 6 percent

The annual interest rate for the period July 1 through December 31, 2002, for delinquent taxes and contributions will be 6 percent (.06), compounded daily.

The daily interest factor will be .000164.

If you have questions about the annual interest rate, please contact us at 1-888-745-3886.

Get help from tax experts at a Small Business Fair

We invite business owners and potential business owners to attend an upcoming Small Business Fair offering workshops on federal, state, and local tax and business requirements.

For details, visit the state Board of Equalization Web site at www.boe.ca.gov/sutax/tpsched.htm. All fairs are free, but reservations are recommended for the workshops.

■ Norwalk

Rio Hondo College, Whittier
June 21, 9 a.m. – 3 p.m.
Call: (562) 466-1539
E-mail: norsmbus@boe.ca.gov

■ San Gabriel Valley

Radisson Hotel, Baldwin Park
September 13, 8:30 a.m. – 3 p.m.
Call: (626) 480-8226
E-mail: wcovsmbf@boe.ca.gov

■ Sacramento (Taxpayer Service Day)

Doubletree Hotel
September 16, 9 a.m. – 4 p.m.
Call: (916) 227-1882
E-mail: sactxday@boe.ca.gov

■ Monterey Bay

Embassy Suites Hotel, Seaside
September 23, 8:30 a.m. – 3 p.m.
Call: (408) 277-8240
E-mail: monterey@boe.ca.gov

■ Orange County (Small Bus. Tax Day)

CSU, Fullerton
September 27, 8:30 a.m. – 3:30 p.m.
Call: (949) 461-5732
E-mail: octaxday@boe.ca.gov

■ San Diego (Small Business Tax Day)

Point Loma Nazarene University
October 18, 8:30 a.m. – 4 p.m.
Call: (760) 744-6284
E-mail: sdtxday@boe.ca.gov

Update on California retirement plan conformity to federal law

As we reported in the fourth quarter 2001 issue of this newsletter, the federal Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16) made changes to the Internal Revenue Code for certain types of payments to employees, including retirement and pension plans.

The article reflected the fact that California law does not conform to

the federal income tax treatment for California income tax purposes.

As of the publication date of this newsletter (April 24), California legislation had not been enacted to conform California income tax treatment to the federal income tax treatment.



If you would like to receive the latest information on this issue, there are several options available:

- Visit our Web site at www.edd.ca.gov.
- Subscribe to our free "Employment and Payroll Tax Information" electronic subscription service at www.edd.ca.gov/listmain.htm.
- Contact our Audit Section at (916) 464-2500.

Self-employed? Protect yourself from loss of income

If you are self-employed, you can protect yourself against a loss of income due to injury or illness with Disability Insurance Elective Coverage (DIEC). We offer this program as a safety net to self-employed individuals doing business in California.



The DIEC program offers you:

- Income protection whether or not an injury or illness is work-related.

- A benefit waiting period of only seven days.
- Premium charges that do not discriminate because of age, occupation, or previous health history.
- Up to 39 weeks of benefit payments.
- Benefits for pregnancy-related disabilities.

To qualify for these benefits, you must apply for DIEC, be approved for coverage, and pay quarterly premiums prior to becoming disabled.

Generally, a minimum of seven months must elapse before a new member is eligible to receive benefits.

For more information, please call us at 1-888-745-3886, or visit our Web site:

- Frequently asked questions: www.edd.ca.gov/difaq9.htm
- To download an application for DIEC: www.edd.ca.gov/de1378di.pdf

ALJA forum offers useful information for employers

The Administrative Law Judges Association (ALJA) will hold its annual public forum in Palm Springs on October 3-4, 2002, at the Palm Springs Riviera Resort and Racquet Club.

The ALJA is a private professional organization of judges on the California Unemployment Insurance Appeals Board, the independent

government agency that adjudicates worker and employer Unemployment and Disability Insurance appeals.

Scheduled topics include:

- Alcohol and drugs in the workplace
- Mock hearings
- Practical advice on handling State Disability Insurance claims

To request a forum announcement (to be mailed in July) or more information,

send a postcard, fax, or email to the address below. Include your organization name, contact person, address, phone number, and email address.

ALJ Shain B. Haug
San Diego Office of Appeals
3517 Camino Del Rio So., Su. 310
San Diego, CA 92108-4027
Fax: (619) 521-3334
Email: shainh@cuiaab.state.ca.us

Paying wages "under the table"... is it worth the risk?

Paying wages "under the table" is paying wages to employees by cash, check, etc., and disguising the payment with the intent of avoiding payroll taxes.

Some employers pay full or partial wages "under the table" because they cannot afford the taxes and insurance costs associated with the wages. However, paying wages this way can actually be very costly.

Many employers do not realize that when they get caught doing this, their state payroll tax liability can be 20 times more than if they would have voluntarily reported the employee's wages and paid the payroll taxes.

In addition, these types of payments often violate labor laws, which in turn can cost the business thousands of dollars in penalties.



For a copy of our brochure, *Paying Cash Wages "Under the Table"... Is It Really Worth the Risk?* (DE 573CA), or for more information, please contact us at 1-888-745-3886. You can also download this brochure from our Web site

at www.edd.ca.gov/taxform.htm. To report a business paying wages "under the table," please call us at 1-800-528-1783, or email us at ueo@edd.ca.gov.

Small changes equal big energy savings —

California's energy challenge has made us all more aware of how to best use electricity. In conjunction with utility companies, generators, and consumer groups, the Governor and the California Legislature continue working on meeting the state's long-term power needs.



The State of California continues to follow its plan to reduce consumption by a minimum of 10 percent across the board.

You also play an important role in the statewide efforts to reduce electricity demand and lower energy bills. You can flex your power and improve your bottom line with even small changes, such as:

- Set thermostats at 78 degrees or higher if cooling, 68 degrees or lower if heating.
- Install programmable thermostats to avoid unnecessary heating and cooling costs.
- Replace incandescent light bulbs with Energy Star® compact fluorescent light bulbs.

Employers make occupational survey a success —

Each year, EDD's Labor Market Information Division contacts approximately 35,000 California businesses to collect occupational employment and wage data. With this Occupational Employment Statistics (OES) survey, we collect data for over 700 occupations in 74 industry groups, including private, public, and nonprofit employers.



other areas of California. This information is also useful for job seekers, economic developers, researchers, and the education and training community.

If you receive an OES survey, please complete and return it to us in the envelope provided.

You can use this statistical information to compare the wages you pay versus those paid for similar occupations in

Wage data from the last survey can be found on our LMID Web site at www.calmis.ca.gov under "Wages & Salaries, OES Wages." For information or assistance, call us at 1-800-826-4896.

New industrial code system adopted —

All businesses and government organizations are assigned a classification code that allows the U.S. Bureau of Labor Statistics to tabulate national and state economic data by industry.



For many years, businesses and government organizations were assigned a Standard Industrial Classification (SIC) code. Last year, we began using the North American Industry Classification System (NAICS), which

offers many advantages that allow us to more accurately measure the economy.

Each year, selected employers are sent an *Industry Verification Form* (BLS 3023 VS) to complete. Other employers who have not yet been assigned an industry code will receive an *Industry Verification Form* (BLS 3023 CA). If you receive either form, it is imperative that you complete it fully and accurately. To learn more about NAICS, visit the U.S. Bureau of Labor Statistics Web site at www.bls.gov/bls/naics.html.

Proposed regulations now on our Web site —

State agencies generally adopt regulations to implement or clarify a law. Prior to adoption, most proposed regulations are given a 45-day public comment period. If you would like to review EDD's proposed regulations, we now post them on our Web site.



To view our regulations or for more information, please access our Web site at www.edd.ca.gov and click on "Proposed EDD Regulations" under General Information.

PAYROLL TAX INFORMATION

- General Tax Information, 1-888-745-3886
Address Changes, or Payroll Tax Forms
- Forms Requests (25+ copies) (916) 322-2835
Fax: (916) 928-5910
- Employer Account # (916) 654-7041
Registration Info. Fax: (916) 654-9211
- Electronic Funds Transfer (916) 654-9130
Fax: (916) 654-7441
- Magnetic Media Reporting:
- Quarterly Reports (916) 654-6845
- New Employee Registry/Indep. Contractor (916) 651-6945
- Alternate Forms (916) 255-0649
Coordinator Fax: (916) 255-1578
- Telefile 1-800-796-3524
- Electronic Data Interchange (916) 255-1649
- Tax Rates & Benefit Charge Information (916) 653-7795
- New Employee Registry (916) 657-0529
Fax: (916) 255-0951
- Independent Contractor Reporting (916) 657-0529
Fax: (916) 255-3211
- Offers in Compromise (916) 464-2726
Fax: (916) 464-2077
- Underground Economy Operations (916) 464-1075
Fax: (916) 464-1020
- Taxpayer Rights Advocate (916) 654-8957
Fax: (916) 654-6969
- EDD's Web site: www.edd.ca.gov

CALIFORNIA EMPLOYER



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